

**MINUTES OF THE
COMPETITION IN TELECOMMUNICATIONS INDUSTRY TASK FORCE**

Wednesday, May 15, 2002 – 9:00 a.m. – Room 403 State Capitol

Members Present:

Sen. Beverly Ann Evans, Co-Chair
Rep. Wayne A. Harper, Co-Chair
Sen. Curtis S. Bramble
Sen. John L. Valentine
Rep. David Clark
Rep. Stephen D. Clark
Rep. Brent H. Goodfellow
Rep. Neal B. Hendrickson
Rep. Ty McCartney
Rep. David Ure

Members Absent:

Sen. Ron Allen
Sen. Alicia Suazo

Staff Present:

Ms. Jami Momberger, Research Analyst
Mr. Thad LeVar, Associate General Counsel*
Ms. Patricia Owen, Associate General Counsel
Ms. Jennifer Markham, Legislative Secretary

*not authorized to practice law in Utah

Note: A list of others present and a copy of materials can be found at <http://www.image.le.state.ut.us/imaging/history.asp> or by contacting the Task Force secretary, Jennifer Markham, at 538-1032.

1. Task Force Business

Chair Evans called the meeting to order at 9:05 a.m. Sen. Allen and Sen. Suazo were excused from the meeting. Task Force members and staff introduced themselves.

Mr. Thad LeVar summarized the legislation that created the Task Force.

2. Review of Related Federal and State Telecommunications Law

Ms. Patricia Owen distributed a "Glossary of Selected Telecommunications Terms," and she provided an overview of the state and federal telecommunications law. Ms. Owen summarized the duties of the Task Force and provided an overview of Utah Code Title 54, Chapter 8b, Public Telecommunications Law, and the Federal Telecommunications Act of 1996. Copies of her electronic presentation were available on request.

Task Force discussion followed.

3. Review of the Telecommunications Industry in Utah

Ms. Jami Momberger distributed "The State of the Telecommunications Industry in Utah" (Public Service Commission Fourth Annual Report) and introduced Mr. Steve Mecham, Commission Chair, PSC (Public Service Commission). Mr. Mecham provided an overview of the telecommunication industry in Utah including describing the ILECs (incumbent local exchange carrier) that operate in the state, CLECs (competitive local exchange carrier) that have been given a certificate to compete and that operate in the state, and price flexibility as compared to price regulation. He stated that the current lack of capital hinders the success of competition.

Task Force discussion followed.

4. Current Issues in Telecommunications Competition in Utah

Mr. Lyle Williamson, Senior Manager, Western Public Policy, MCI WorldCom, Inc., distributed "Opening Statement of WorldCom, Inc." He summarized the struggles and successes that MCI had entering the long distance market. He indicated that the Legislature could do more to assure competition and use of Qwest's local lines. He stated the areas the Task Force should study include unbundled network elements status, public rights-of-way, open access, alternative technologies, and establishing quantitative measures.

Mr. Rex Knowles, Vice President, Regulatory, XO Communications, provided an overview of XO. He indicated that currently growth is flat and the lack of the available capital investment is a challenge. He emphasized the difficulty of expanding into other geographic areas in the current economic environment. Mr. Knowles stated XO's concerns were the costs for access to rights-of-way, access to private development areas, and ways to obtain capital investments.

Mr. Bill Huber, Vice President, Government Liaison, UTMA (Utah Telecommunications Management Association), distributed "UTMA's Statement on Competition in Telecommunications Industry to the Utah Legislative Task Force." He provided examples of problems UTMA members have experienced. He stated the business customers had to weigh the risk they are taking in the disruption of business and possible saved revenues against going with an alternative carrier. He indicated a need for an improved PSC matrix and development of a customer survey to indicate the level of service experienced by the business consumer.

Mr. L. J. Godfrey, Vice President, Law & Government Affairs, AT&T, outlined services offered by AT&T and distributed "Utah Telecommunications Task Force." He stated that AT&T would recommend the Task Force take a detailed look at the state of telecommunications, incentives for competition, access charges, local service "PIC freeze," and access to rights-of-way.

Mr. Jerry Oldroyd, Attorney, Ballard Spahr Andrews & Ingersoll, representing AT&T, requested the Task Force review the expectations of the state and federal acts and compare those expectations to today's market. He emphasized the need to avoid policies that create an impediment to competition and to address the impact of the decline in market capitalization on local business development.

Mr. Robin Riggs, Utah Vice President, Qwest, distributed "Company Fact Sheet," "Qwest Communications Receives Positive Report from 13-State Systems and Performance Test," *Deseret News* Article "Competitors of Qwest Gaining Ground in Utah," "Qwest Communications Finishes First in Annual FCC Customer Service Report," and "Qwest Communications Networks Turn in Gold-Medal Performances at 2002 Olympic Winter Games." He provided an overview of the progress of competition in Utah. He stated that Qwest would recommend the Task Force address access charges, access to rights-of-way, possible incentives to development of high speed broadband, and possible tax reform.

Ms. Nancy Gibbs, Executive Director, URTA (Utah Rural Telecom Association), explained the ILECs in the state, other than Qwest, that are represented by URTA.

Mr. Jerry Fenn, Attorney, Blackburn and Stoll, representing URTA, distributed "Utah Rural Telecom Association," and overviewed the 14 rural independent telephone companies represented by URTA. He urged the Task Force not to change the provisions for competitive entry of providers in rural areas. He indicated that concerns of URTA also include limiting the government in providing telecommunication service, providing sales and use tax exemptions on certain telecommunications equipment, and access to rights-of-way.

Mr. Lowell Alt, Director, DPU (Division of Public Utilities), explained the role of DPU in telecommunications state regulations. He distributed "Utah Division of Public Utilities."

Ms. Kelly Francone, Utility Analyst, CCS (Committee of Consumer Services), explained that CCS represents small businesses and residential customers and oversees all utilities.

Mr. Jeff Fox, Crossroads Urban Center, provided an overview of the telecommunications industry in Utah including issues related to fiber optics and access to Qwest's line. Mr. Fox requested that the Task Force study reasons for some major providers of DSL going out of business, loop costs, access to Qwest's lines, and access to rights-of-way.

Ms. Betsy Wolf, Utility Specialist, Salt Lake Community Action Program, distributed "Summary of Comments for May 15 Task Force Meeting." She requested the Task Force review ways to increase competition, review current price regulations, establish competition criteria, establish a price ceiling for basic service, and ensure Qwest will use proceeds from the sale of assets to invest in infrastructure.

5. Task Force Discussion

The Task Force discussed issues the members felt were of importance for the Task Force to study.

Chair Evans requested that staff compile a list of the issues addressed and send it to the Task Force members for the members to prioritize.

The Task Force members scheduled the next meeting on June 13 at 9:00 a.m.

6. Other Items/Adjourn

MOTION: Sen. Valentine moved to adjourn the meeting. The motion passed unanimously, with Rep. Harper and Rep. Ure absent for the vote.